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## FEATURED Q&A

# Will a Backlash in Argentina Block Macri's Reforms?



Argentine President Mauricio Macri has received a vote of confidence from the International Monetary Fund, but his government's deal with the lender, along with austerity measures, is costing him support at home. // File Photo: Argentine Government.

**Q Argentine President Mauricio Macri on May 31 vetoed a law that would have frozen utility prices, saying the country needs to get closer to having a balanced budget. Macri said the law was poorly thought out and would have cost the country hundreds of billions of dollars over several years, Clarín reported. The move came just weeks after Macri's government began talks with the International Monetary Fund over a controversial line of financing. How well is Macri working with the Peronists in Congress? How is the Argentine electorate responding to the country's political clashes and controversial economic policies? How do economic factors affect Macri's prospects in the 2019 general election, as well as those of his center-right Propuesta Republicana alliance?**

**A Graciela C. Römer, director of Graciela Römer & Asociados in Buenos Aires:** "Mauricio Macri's government is feeling the political backlash of a surprising political decision—a successful agreement with the IMF—which seeks to move the Argentine economy away from the edge of the financial abyss by obtaining the necessary dollars to support the economy and save it from an unceasing inflation, insufficient foreign investment and declining internal consumption as a result of the increasing deterioration of revenues. Lowering inflation; ending the country's 30 percent poverty rates; opening the economy to foreign markets; reorienting the economy's route by balancing public accounts and reducing the chronic fiscal deficit were the main campaign promises with which Cambiemos won in 2015. Transpar-

Continued on page 2

## TODAY'S NEWS

### POLITICAL

## At Least Six Killed in Nicaragua Clash

In addition to those killed, 35 people were wounded in the city of Masaya. The clash happened just after talks between embattled President Daniel Ortega's government and civil society groups broke down.

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### ECONOMIC

## World Bank to Boost Assistance to Ecuador

The World Bank is increasing its assistance to Ecuador by \$400 million to a total of \$1.4 billion.

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### POLITICAL

## Mexico Blasts U.S. Migrant Separation Policy

Mexican Foreign Minister Luis Videgaray called the U.S. policy that has led to the separation of some 2,000 migrant children from their parents "cruel" and "inhumane." U.S. officials have defended the policy as a way to secure the border and deter illegal crossings.

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Videgaray // File Photo: Mexican Government.

## POLITICAL NEWS

## At Least Six Killed in Nicaragua Clash as Talks Break Down

Riot police and masked gunmen in civilian clothes clashed with protesters in the Nicaraguan city of Masaya early Tuesday, a day after the breakaway municipality said it would not recognize President Daniel Ortega's legitimacy and would instead create a commission to govern the city, La Prensa reported. The crackdown, which centered primarily on youth who had barricaded themselves near the city's police station, left at least six dead and 35 wounded. Other municipalities and villages also reported violent clashes this week. Since protests began in April, 24 citizens of Masaya have been killed, and more than 170 have died across the country in clashes with police. Bishop Abelardo Mata Guevara, spokesman for the Episcopal Conference of Nicaragua, or CEN, on Tuesday described Ortega as inhumane for ordering the repression. "He cannot kill an entire people," Mata said, La Prensa reported. Civil society organizations have called for early elections in order to end the impasse, but they broke off talks with the government on Monday until Ortega agreed to invite international

observers to enter the country, The Washington Post reported. The U.S. ambassador to the Organization of American States, Carlos Trujillo, arrived in Managua on Tuesday for meetings with civil society groups, telling reporters that his plans for the trip included a potential meeting with Ortega, El Nuevo Diario reported.

## Mexico Blasts U.S. Migrant Separation Policy as 'Inhumane'

The Mexican government on Tuesday blasted the U.S. immigration policy that has separated almost 2,000 migrant children from their parents at the U.S.-Mexico border, local daily El Universal reported. In a press conference, Foreign Minister Luis Videgaray called the zero-tolerance policy "cruel" and "inhumane," saying it violates the human rights of separated children. Videgaray said 21 minors of the 995 cases reported by the U.S. government are Mexican, and only seven remain in immigration detention while the others have been reunited with relatives, El Universal reported. He noted a "particular heartbreaking case" of a 10-year old girl with Down syndrome that was separated from her mother and brother as they crossed the border. Videgaray confirmed he had sent a formal diplomatic complaint to the U.S. gov-

## NEWS BRIEFS

## World Bank to Boost Assistance to Ecuador

The World Bank will increase its financial assistance in Ecuador by \$400 million to total \$1.4 billion, Alberto Rodríguez, World Bank director for the South American country, announced on Tuesday, Reuters reported. Ecuadorean representatives met with multilateral organizations in Washington last week, as President Lenín Moreno's government seeks to improve relationships with international lenders that had weakened under former President Rafael Correa. Moreno aims to cut the country's fiscal deficit from 7.2 percent to 5.3 percent of GDP by the end of the year, Reuters reported.

## Argentina's Economy Sees 3.6% Growth in Q1

Argentina's GDP grew 3.6 percent year-on-year in the first quarter and 1.1 percent as compared to last year's fourth quarter, the Financial Times reported Tuesday. The number slightly surpassed expectations by Bloomberg analysts – 3.5 percent – amid a currency volatility crisis that led President Mauricio Macri to secure \$50 billion in financial assistance from the International Monetary Fund earlier in June. The Argentine peso lost ground on Tuesday, standing at 27.75 per U.S. dollar, according to the Financial Times.

## Brazilian Central Bank Expected to Hold Interest Rates Steady

After evaluating the impact of the strong devaluation of the real and a two-week truckers' strike that paralyzed the domestic economy, the Brazilian central bank is expected to hold interest rates at 6.5 percent today, according to analysts, Agence France-Presse reported on Tuesday. Though inflation is projected to have spiked from 3.45 percent to 3.88 percent after the strike, it remains within the central bank's target range.

## FEATURED Q&amp;A / Continued from page 1

ency, fighting corruption and the promise of an administration based on adherence to the law accompanied that discourse. Today, with more than half of Macri's term completed and almost at the doorstep of the next presidential campaign in 2019, the government seems to have lost a significant part of its certainty of re-election, which was assured until some time ago. The persistence of inflation and the reduction of subsidies for public services (electricity, gas, transportation) that affected the scope of the public's income—especially for the middle class—have created an environment of social unrest, a decrease of support for

the Macri administration and an increase in social conflict. The question today is whether the Macri administration will be able to restore the levels of adhesion that will allow his re-election in 2019. This will depend on two main factors: 1) The government's capacity in the coming months to demonstrate improvements to the macroeconomy, recreating positive expectations in the short term, and 2) that peronismo, as the main force of opposition, continues to be divided and does not acquire a leader other than Cristina Fernández de Kirchner—against whom Macri would probably win—who unifies them."

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ernment, specifically citing recommendations to alleviate the conditions of migrant children, including allowing communication with their parents and better registration protocols that will allow for easier family reunification, The Wall Street Journal reported. He also said he had spoken via telephone with U.S. Secretary of State Mike Pompeo and Department of Homeland Security Secretary Kirstjen Nielsen, though they did not “necessarily coincide” in their appraisal of the policy. The Mexican government plans to bring the issue to the United Nations High Commissioner for Refugees.

## Cabello Tapped as New Leader of Venezuela Assembly

Venezuela’s government-allied Constituent Assembly on Tuesday swore in high-ranking Socialist Party official Diosdado Cabello as its new leader, El Universal reported. Cabello, who has been accused by the United States of coordinating international drug shipments, received unanimous approval in the assembly and replaces Delcy Rodríguez, who President Nicolás Maduro recently tapped to be the country’s vice president. “I’m asking for ideas,” Cabello told the heads of the assembly’s committees, saying he wanted “proposals, suggestions, observations, doubts, complaints.” Maduro’s government created the Constituent Assembly last year, sidelining the elected, opposition controlled National Assembly. The Constituent Assembly has supreme power over all other state institutions, including the courts. The United States and other countries consider the body an illegitimate one that is packed with Maduro loyalists. The United States last month slapped sanctions on Cabello, his wife, brother and an alleged front man, accusing them of involvement in drug trafficking, embezzlement and money laundering, Bloomberg News reported. Maduro’s government has denied the accusations. Also on Tuesday, Venezuela’s government named industrial engineer Calixto Ortega as the country’s new central bank chief, Reuters reported. Ortega, who has been vice president of finance at U.S. oil refiner Citgo, which Venezuelan state oil company PDVSA

## JOB POSTINGS

**EDITOR’S NOTE:** We are pleased to share Latin America-related job postings that companies reading the Advisor and others have posted recently.

**New Fortress Energy:** Specialist and Analyst, Global Business Intelligence (two positions open), New York

**Netflix:** Director of Publicity, Latin America, Los Angeles

**Latham & Watkins:** Business Development Specialist, Latin America Practice, New York

**IngramMicro:** Executive Director, Advanced Solutions, Latin America, Miami

**Chemonics:** Project Management Associate, Latin America, Washington, D.C.

**eBay:** Director and COO, Latin America, Mexico City

**JP Morgan Chase:** VP, Assistant General Counsel, Latin America, New York

**Avendra:** Managing Director and Vice President, Latin America/Caribbean, Mexico

owns, takes the helm of the central bank as Venezuela is facing hyperinflation and numerous other economic problems. Ortega replaces Ramón Lobo as central bank chief. Lobo led an effort to cut three zeros off the country’s bolívar currency as Venezuela has suffered from inflation that analysts have estimated at higher than 25,000 percent.

### BUSINESS NEWS

## BHP Selling Chile Copper Mine to EMR Capital

Global mining company BHP has agreed to sell its Cerro Colorado copper mine in Chile to EMR Capital, BHP announced Tuesday. EMR is paying \$230 million in cash, plus approximately \$40 million from the sale of inventory from the mine after the closing of the transaction, in addition to a contingency payment of as much as \$50 million, which is to be paid in the future. BHP said it expects the deal to close in the fourth quarter of this year. The Cerro Col-

orado mine is located in the Atacama Desert in northern Chile. In the company’s 2017 fiscal year, it produced 65,000 metric tons of copper cathode. The deal between BHP and EMR Capital ends a year-long search for a buyer for Cerro Colorado, Mining Weekly reported. The mine is among BHP’s smaller copper projects

**Cerro Colorado has government approval to operate only until 2023.**

in Chile. The company also owns the Spence mine as well as a 57.5 percent stake in the Escondida mine. Last August, BHP’s board approved \$2.46 billion in investments to develop the Spence Growth Option in an effort to increase production at that mine and also extend its lifespan by three decades. BHP has said that it views copper as an “extremely attractive commodity,” but has focused increasingly on larger long-life projects. Chile’s government has approved the Cerro Colorado mine to continue operating only until 2023. Its sale is subject to financial and other closing conditions.

## FEATURED Q&amp;A / Continued from page 2

**A** **Gabrielle Trebat, director for Brazil and the Southern Cone at McLarty Associates:** “President Macri has consistently prioritized fiscal discipline during his tenure, even at increased political cost. In addition to vetoing the bill to freeze utility prices, the recent decision to negotiate an IMF loan to provide a \$50 billion credit line represents a doubling down of his commitment to fiscal adjustment. (The IMF board is expected to

“**President Macri is also likely to face political pressure from labor over his economic policies.”**

— Gabrielle Trebat

vote today to approve a \$15 billion disbursement). As part of the IMF deal, Argentina agreed to dramatically accelerate reduction of its fiscal deficit to reach a primary surplus by 2021 in addition to granting the central bank greater autonomy to adjust interest rates and set inflation targets. Macri administration officials described the IMF loan as critical to avoiding a more serious crisis. As with the veto of the utility price legislation, the decision to seek help from the IMF was not without political risk, especially with inflation stuck in double digits. The institution remains unpopular due to its perceived role in the country’s 2001-02 financial crisis. In a recent poll, 55 percent of respondents disagreed with the decision to seek an IMF loan, while 75 percent believed the deal would fail to address Argentina’s economic problems. President Macri is also likely to face political pressure from labor over his economic policies, with two major unions announcing plans for general strikes to protest the government’s economic policies. While the opposition remains fragmented, deteriorating economic conditions could

serve to shore up Peronist parties at the expense of Macri and coalition parties in the 2019 election. However, at this point, President Macri remains the strongest candidate given the lack of strong opponent.”

**A** **Carlos Fara, president of Carlos Fara & Asociados in Buenos Aires:** “The Macri administration has found both success and failure dealing with Peronism in the National Congress. For example, when the bill to reverse utility price hikes was under debate, the government was unable to find the right strategy to approach the Peronist governors, and therefore the lawmakers who answer to them, in order to vote against the bill. As a consequence, Macri had to resort to his veto power. After last year’s electoral victory, it seemed that the government finally had found an effective mechanism to negotiate with Peronists. But the social climate changed in Argentina due to the high inflation rate, the rise of the U.S. dollar against the local currency, and the bad memories raised for Argentines following the recent agreement between the government and the IMF. Because of this, from now on, the government’s relationship with Peronists will be more difficult. Argentine voters are very sensitive to economic recessions and the weakness of the peso. Taking into account the economic prognosis for the coming months, chances are that the government will have a hard time recovering its favorable image. There is no doubt that the country’s economy will be the main issue ahead of the next presidential election. That is because 2019 will not be, in economic terms, as good as expected, and also because of the IMF’s constant presence. This is not to say that Macri doesn’t stand a chance in the next presidential election. People’s fatigue with Peronism (which is in itself a very fragmented movement) and most Argentines’ fear of Cristina Fernández de Kirchner’s return to power will likely tip the scale toward the Cambiemos coalition.”

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